

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>CHARTER TOWNSHIP OF MADISON</b>	County <b>LENAWEE</b>
Fiscal Year End <b>12-31-2007</b>	Opinion Date <b>04-01-08</b>	Date Audit Report Submitted to State <b>04-30-08</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

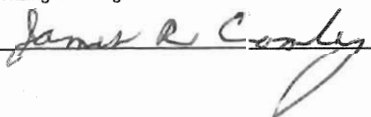
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>COOLEY HEHL WOHLGAMUTH &amp; CARLTON CPA'S PLLC</b>		Telephone Number <b>(734) 241-7200</b>		
Street Address <b>ONE SOUTH MONROE STREET</b>		City <b>MONROE</b>	State <b>MI</b>	Zip <b>48161</b>
Authorizing CPA Signature 		Printed Name <b>JAMES R. COOLEY</b>		License Number <b>1101005761</b>

**CHARTER TOWNSHIP OF MADISON**

**ANNUAL FINANCIAL REPORT**

December 31, 2007

# CHARTER TOWNSHIP OF MADISON

*Table of Contents*  
*December 31, 2007*

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<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-10
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11-12
Statement of Activities .....	13-14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet .....	15-16
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Assets .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	18-19
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities .....	20
Proprietary Fund:	
Statement of Net Assets .....	21-22
Statement of Revenues, Expenses, and Changes in Net Assets .....	23
Statement of Cash Flows .....	24
Agency Funds:	
Statement of Assets and Liabilities .....	25
Notes to Financial Statements .....	26-46
<b>Required Supplemental Information:</b>	
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual .....	47-48
Detailed Budgetary Comparison Schedule .....	49-52
Downtown Development Authority:	
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual .....	53
Building Department Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual .....	54
Fire Building and Apparatus Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual .....	55

# CHARTER TOWNSHIP OF MADISON

## *Table of Contents* *December 31, 2007*

---

### **Required Supplemental Information (Concluded):**

#### Stone Cove Point Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual ..... 56

#### Road Construction Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balances -

Budget and Actual ..... 57

### **Other Supplemental Information:**

#### Agency Funds:

Combining Statement of Changes in Assets and Liabilities ..... 58



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### Independent Auditor's Report

Board of Trustees  
Charter Township of Madison  
4008 S. Adrian Highway  
Adrian, Michigan 49221

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Madison, Lenawee County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of December 31, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 through 57, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees  
Charter Township of Madison

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Madison, Lenawee County, Michigan basic financial statements. The combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Hall Wadsworth & Carlton, P.C.*

April 1, 2008

## CHARTER TOWNSHIP OF MADISON

### *Management's Discussion and Analysis Year Ended December 31, 2007*

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As management of the Charter Township of Madison, Lenawee County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the governmental and business-type activities of the Township for the year ended December 31, 2007. This information should be taken into consideration before reading the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consist of the financial statements and other supplementary information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Fund.

The Government Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000.

#### **Financial Highlights**

- ▶ The assets of the Township exceeded its liabilities at the close of the most recent year by \$17,178,211 (net assets). Of this amount, \$1,537,124 (unrestricted net assets) may be used to meet the government's ongoing obligations to its' citizens and creditors.
- ▶ The government's total net assets decreased by \$858,525. The decrease in net assets is due to the termination of the Downtown Development Authority, which requires the Township to pay out funds totaling \$1,581,445 to the participating local government units.
- ▶ At the close of the year, the Township's governmental funds reported combined ending fund balances of \$869,790, a decrease of \$754,327 in comparison with the prior year. Approximately 94 percent of this amount, or \$817,852, is available for spending at the government's discretion (unreserved fund balance).
- ▶ At the end of the year, the unreserved fund balance for the general fund was \$588,805 or 52 percent of total general fund expenditures.
- ▶ The Township's total bonded debt decreased by \$469,939 during the year. \$20,899 of new debt was issued to finance the capital lease purchase of a new police vehicle.

#### **Overview of the Financial Statements**

This report is organized so that the reader can understand the Charter Township of Madison financially as a whole. This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains Required and Other Supplementary Information in addition to the basic financial statements themselves.

## CHARTER TOWNSHIP OF MADISON

### *Management's Discussion and Analysis* *Year Ended December 31, 2007*

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#### **Government-Wide Financial Statements**

The Government-Wide Financial Statements (pages 11 through 14), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise the change occurs, regardless of the timing of the related cash flows. Thus the revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e., earned but unused vacation leave). The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

Both of the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. These functions can be divided into two following categories:

- ▶ Governmental activities which encompass all the Township's services, including general government services, public safety, and public works. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.
- ▶ Business-type activities which include sanitary sewer and water distribution operations.

The Government-Wide financial and fund financial statements include not only the Township itself (known as the primary government), but also a separate legal entity - the Downtown Development Authority - for which the Township is financially accountable. Because the DDA is considered part of the Township's operations, its data is combined with the primary government as a blended component unit.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law and by bond covenants. However, the Township establishes most of its funds to control and manage money for particular purposes or to show that it is properly using revenues. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - All of the Township's governmental funds are used to account for the same functions as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. They are reported using the modified accrual method, which measures cash and all other financial assets that can be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.



## CHARTER TOWNSHIP OF MADISON

### *Management's Discussion and Analysis* *Year Ended December 31, 2007*

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Because the focus of the governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, on pages 17 and 20 respectively, to facilitate this comparison between governmental funds and governmental activities.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, DDA, building department, fire department building and apparatus, Stone Cove Point debt service, and road construction funds. All of these governmental funds are considered to be and are presented as major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15 through 20 of this report.

**Proprietary Fund** - The Township maintains a proprietary fund to account for its sanitary sewer and water distribution operations (Enterprise Fund). Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as Government-Wide Financial Statements, only in more detail. The proprietary fund financial statements present information on the Township's sewer and water operations as one major fund.

The basic Proprietary Fund Financial Statements can be found on pages 21 through 24 of this report.

**Fiduciary Funds** - Agency funds are used to account for assets held by the Township as an agent for the collection and disbursement of property taxes and escrow accounts. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The only basic fund financial statement required to be reported can be found on page 25 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The notes to the financial statements can be found on pages 26 through 46.

### **Government-Wide Financial Analysis**

Recall that the Statement of Net Assets provides a long-term perspective of the Township's financial position. As indicated earlier and on Table 1 of the following page assets exceeded liabilities by \$17,178,211 at the close of the most recent year.

By far the largest portion of the Township's net assets (65.9 percent) reflects its investment in capital assets (e.g., land, buildings, systems, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

# CHARTER TOWNSHIP OF MADISON

## *Management's Discussion and Analysis* *Year Ended December 31, 2007*

As also depicted in Table 1, the Township's unrestricted net assets totaled \$1,537,124. This amount represents the accumulated results of all past years operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay all of our bills off today, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this years' operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the calender year ended December 31, 2007.

**Table 1:** **Condensed Statement of Net Assets**  
**December 31, 2007 and 2006**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets	\$2,551,541	\$1,814,358	\$1,251,081	\$1,211,409	\$3,802,622	\$3,025,767
Restricted assets	0	0	3,774,260	3,931,163	3,774,260	3,931,163
Capital and other noncurrent assets, net	1,649,075	1,520,337	15,030,879	15,538,502	16,679,954	17,058,839
<b>Total Assets</b>	<b>4,200,616</b>	<b>3,334,695</b>	<b>20,056,220</b>	<b>20,681,074</b>	<b>24,256,836</b>	<b>24,015,769</b>
Current and other liabilities	1,658,215	158,018	579,161	609,135	2,237,376	767,153
Long-term liabilities	45,543	41,940	4,795,706	5,169,940	4,841,249	5,211,880
<b>Total Liabilities</b>	<b>1,703,758</b>	<b>199,958</b>	<b>5,374,867</b>	<b>5,779,075</b>	<b>7,078,625</b>	<b>5,979,033</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	1,649,075	1,520,337	9,666,624	9,748,528	11,315,699	11,268,865
Invested in capacity, net of related debt			194,315	142,431	194,315	142,431
Restricted for:						
Prepaid items	43,965	22,506	0	0	43,965	22,506
Fixed asset replacement	0	0	304,875	304,875	304,875	304,875
Debt service and construction	7,973	3,037	3,774,260	3,931,163	3,782,233	3,934,200
Unrestricted	795,845	1,588,857	741,279	775,002	1,537,124	2,363,859
<b>Total Net Assets</b>	<b>\$2,496,858</b>	<b>\$3,134,737</b>	<b>\$14,681,353</b>	<b>\$14,901,999</b>	<b>\$17,178,211</b>	<b>\$18,036,736</b>

At the end of the year the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets decreased by \$858,525 during the calender year ended. This increase is primarily due to captured taxes in the Downtown Development Authority. A significant portion of this amount, which has not yet been determined, will have to be paid out to the schools as excess captured taxes.

As indicated in Table 2, the cost of all governmental activities this year was \$1.45 million. Of this amount \$0.430 million was subsidized with revenue generated from charges for services, with the remaining costs financed with general revenues.

# CHARTER TOWNSHIP OF MADISON

## Management's Discussion and Analysis Year Ended December 31, 2007

The Township experienced a decrease in net assets of governmental activities of \$637,879. As previously indicated, a significant amount from the DDA fund was paid to Madison Schools and the County as a result of excess captured taxes. This factor had a significant negative impact in the change in net assets for governmental activities.

**Table 2:**

### Changes in Net Assets Year Ended December 31, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues						
Charges for services	\$430,325	\$486,963	\$1,314,153	\$1,173,423	\$1,744,478	\$1,660,386
Operating grants and contributions	0	0	38,698	185,601	38,698	185,601
	430,325	486,963	1,352,851	1,359,024	1,783,176	1,845,987
General revenues						
Property taxes	1,509,891	1,394,131	0	0	1,509,891	1,394,131
State grants (revenue sharing)	483,718	495,951	0	0	483,718	495,951
Interest	82,388	64,056	235,964	219,534	318,352	283,590
Gain on sale of assets	1,201	0	0	0	1,201	0
	2,077,198	1,954,138	235,964	219,534	2,313,162	2,173,672
<b>Total Revenues</b>	<b>2,507,523</b>	<b>2,441,101</b>	<b>1,588,815</b>	<b>1,578,558</b>	<b>4,096,338</b>	<b>4,019,659</b>
<b>Functions/Program Expenses</b>						
General government	202,860	187,203	0	0	202,860	187,203
Public safety	899,264	841,649	0	0	899,264	841,649
Public works	60,290	56,252	0	0	60,290	56,252
Other functions	50,631	65,063	0	0	50,631	65,063
Capital improvements	190,521	367,643	0	0	190,521	367,643
Insurance	41,504	50,075	0	0	41,504	50,075
Interest on long-term debt	2,449	2,049	0	0	2,449	2,049
Water department	0	0	484,130	506,214	484,130	506,214
Sewer department	0	0	1,441,769	1,289,597	1,441,769	1,289,597
<b>Total Expenses</b>	<b>1,447,519</b>	<b>1,569,934</b>	<b>1,925,899</b>	<b>1,795,811</b>	<b>3,373,418</b>	<b>3,365,745</b>
<b>Increase (Decrease) in Net</b>						
Assets Before Transfers	1,060,004	871,167	(337,084)	(217,253)	722,920	653,914
Transfers to other governments	(1,581,445)	0	0	0	(862,282)	0
Transfers	(116,438)	(209,925)	116,438	209,925	0	0
<b>Increase (Decrease) in</b>						
<b>Net Assets</b>	<b>(\$637,879)</b>	<b>\$661,242</b>	<b>(\$220,646)</b>	<b>(\$7,328)</b>	<b>(\$858,525)</b>	<b>\$653,914</b>

## CHARTER TOWNSHIP OF MADISON

### *Management's Discussion and Analysis* *Year Ended December 31, 2007*

#### **Fund Financial Analysis**

As noted earlier, the Township uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Charter Township of Madison is being held accountable for resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, governmental funds reported a combined balance of \$0.870 million, which is a decrease of \$754,327 from last year. The changes by fund, of which all were considered major funds, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Retirement Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>Fund balances – Beginning of year</b>	\$655,347	\$1,045,078	\$9,424	\$ (85,732)	\$1,624,117
Increase (decrease)	<u>(22,577)</u>	<u>(834,724)</u>	<u>(1,451)</u>	<u>104,425</u>	<u>(754,327)</u>
Fund balances – (deficit)	<u>\$632,770</u>	<u>\$ 210,354</u>	<u>\$7,973</u>	<u>\$ 18,693</u>	<u>\$ 869,790</u>

The Township's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

<b>Revenues</b>	<u>December 31, 2007</u>	<u>December 31, 2006</u>	<u>Percent Change</u>
Property taxes	\$ 193,143	\$ 193,793	(0.34)%
Licenses and permits	3,942	6,628	(40.53)%
State revenue sharing	483,718	495,951	(2.47)%
Charges for services	12,499	8,354	49.62 %
Interest and rentals	28,648	25,853	10.81 %
Ambulance	323,069	362,279	(10.82)%
Other	<u>39,213</u>	<u>42,439</u>	(7.60)%
Total Revenues	<u>\$1,084,232</u>	<u>\$1,135,297</u>	(4.50)%

## CHARTER TOWNSHIP OF MADISON

### *Management's Discussion and Analysis* *Year Ended December 31, 2007*

#### **Fund Financial Analysis - Concluded**

<b>Expenditures</b>	<b>December 31, 2007</b>	<b>December 31, 2006</b>	<b>Percent Change</b>
General government	\$ 201,738	\$ 181,701	11.03 %
Public safety	774,766	683,741	13.31 %
Public works	60,290	56,252	7.18 %
Other functions	50,611	64,899	(22.02)%
Insurance	<u>41,504</u>	<u>50,075</u>	(17.12)%
Total Expenditures	<u>\$1,128,909</u>	<u>\$1,036,668</u>	8.90 %

#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Charter Township Board to adopt the original budget prior to January 1, the start of the fiscal year. Over the course of the year the Township reviewed its budget but did not amend or revise it for any unexpected changes in revenues or expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these statements. As already mentioned, there were no revisions to the budget during the year.

#### **Long-term Contract, Capital Assets and Debt Administration**

As of December 31, 2007, the Township had \$3.2 million invested in a long term contract with Lenawee County and \$13.4 million invested in a broad range of capital assets, including, land, building and improvements, machinery and equipment, vehicles, and water and sewer systems. Additions which totaled \$245,633 included a new fire truck, fire vehicle, and police car. A capital lease purchase agreement in the amount of \$20,899 was issued to finance the purchase of the new police car. Depreciation this year totaled \$116,895 for governmental activities and \$427,918 for business-type activities. Details regarding capital assets is included in Note 7 to the financial statements.

#### **Debt**

At December 31, 2007, the Township's debt consisted mainly of contracts and general obligation for water and sewage disposal system construction. Total debt outstanding was \$5,228,713 as of December 31, 2007. The repayment of debt will be financed partially by special assessments administered through the Township's Tax Collection Agency Fund which collects special assessments for the Township's Enterprise Fund. A detailed summary of changes in long-term debt is located in Note 8 to the financial statements.

## **CHARTER TOWNSHIP OF MADISON**

### *Notes to Financial Statements Year Ended December 31, 2007*

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#### **Development of the 2008 Fiscal Year Budget**

Our elected officials considered many factors when setting the Township's 2008 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to factors affecting the budget, like decreased revenue sharing from the state, since it accounts for over half of our General Fund revenues. The Township has taken several measures to help control the rising costs of governmental services. We will continue to watch our budget closely as we continue to upgrade our public safety programs and roads using money received from property taxes. To offset the ever increasing costs of the operation of the public safety divisions, adjustments have been made in the charges for ambulance services, both for services within the Township and services to the surrounding units of government.

#### **Economic Factors**

A new shopping mall is being built on US 223. The mall will have room for six new stores, of which three have already been rented. The new businesses there will include a new Starbucks, Aspen Dental, and a hair salon.

The shopping center at Kohl's has three new tenants which include a Sally's Beauty Supply, tanning center, and Quizno's Sub Shop.

The Countryside Development has been bought out of bankruptcy. As a result, three new homes have been built on the property.

#### **Contacting the Charter Township of Madison**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Townships finances to demonstrate its accountability for the money it receives. If you have any questions about this report or any of its information, contact the Charter Township of Madison Clerk, 4008 South Adrian Highway, Adrian, MI 49221. Our phone number is 517-263-9313.

# CHARTER TOWNSHIP OF MADISON

## Statement of Net Assets December 31, 2007

December 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$1,992,058	\$248,031	\$2,240,089
Investments	250,000	721,254	971,254
Receivables:			
Accounts	60,718	276,208	336,926
Special assessments	40,186	0	40,186
Interest receivable	6,152	5,588	11,740
Due from other governments	158,462	0	158,462
Prepaid expenses	43,965	0	43,965
Total Current Assets	2,551,541	1,251,081	3,802,622
<b>Restricted assets</b>			
Cash and money management accounts	0	177,085	177,085
Cash with fiscal agent	0	6,536	6,536
Special assessments receivable	0	3,590,639	3,590,639
Total Restricted Assets	0	3,774,260	3,774,260
<b>Noncurrent assets</b>			
Prepaid capacity contract (net)	0	3,239,255	3,239,255
Capital assets:			
Nondepreciated	237,401	0	237,401
Depreciated (net)	1,411,674	11,791,624	13,203,298
Total Non Current Assets	1,649,075	15,030,879	16,679,954
Total Assets	\$4,200,616	\$20,056,220	\$24,256,836

See accompanying notes to the basic financial statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$20,647	\$74,869	\$95,516
Accrued wages	32,840	2,698	35,538
Other liabilities	13,616	2,065	15,681
Accrued compensated absences	3,330	0	3,330
Accrued interest	0	49,059	49,059
Internal balances	(75,379)	75,379	0
Deferred revenue	69,817	0	69,817
Due to other governments	1,583,444	857	1,584,301
Current portion of long-term debt net of related discount	9,900	374,234	384,134
Total Current Liabilities	1,658,215	579,161	2,237,376
<b>Noncurrent liabilities</b>			
Bonds and notes payable (net of related discount)	45,543	4,795,706	4,841,249
Total Liabilities	1,703,758	5,374,867	7,078,625
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,649,075	9,666,624	11,315,699
Invested in capacity net of related debt	0	194,315	194,315
Restricted for:			
Prepaid items	43,965	0	43,965
Capital asset replacement	0	304,875	304,875
Debt service and construction	7,973	3,774,260	3,782,233
Unrestricted	795,845	741,279	1,537,124
Total Net Assets	2,496,858	14,681,353	17,178,211
Total Liabilities and Net Assets	\$4,200,616	\$20,056,220	\$24,256,836



# CHARTER TOWNSHIP OF MADISON

## Statement of Activities Year Ended December 31, 2007

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General government	\$202,860	\$0	\$0	\$0
Public safety	899,264	402,269	0	0
Public works	60,290	28,056	0	0
Other functions	50,631	0	0	0
Capital improvements	190,521	0	0	0
Insurance	41,504	0	0	0
Interest on long-term debt	2,449	0	0	0
Total Governmental Activities	1,447,519	430,325	0	0
Business-Type Activities:				
Water Department	484,130	354,087	36,441	0
Sewage Department	1,441,769	960,066	2,257	0
Total Business-Type Activities	1,925,899	1,314,153	38,698	0
Total Primary Government	<u>\$3,373,418</u>	<u>\$1,744,478</u>	<u>\$38,698</u>	<u>\$0</u>

### General revenues (expenses):

Taxes

    Property taxes

Grants and contributions not restricted:

    State grants

    Interest

    Gain on the sale of asset

    Transfers to other governments

    Transfers

Total General Revenues and Transfers

### Change in net assets

Net Assets, January 1, 2007

Net Assets, December 31, 2007

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(\$202,860)	\$0	(\$202,860)
(496,995)	0	(496,995)
(32,234)	0	(32,234)
(50,631)	0	(50,631)
(190,521)	0	(190,521)
(41,504)	0	(41,504)
(2,449)	0	(2,449)
(1,017,194)	0	(1,017,194)
0	(93,602)	(93,602)
0	(479,446)	(479,446)
0	(573,048)	(573,048)
(\$1,017,194)	(\$573,048)	(\$1,590,242)
\$1,509,891	\$0	\$1,509,891
483,718	0	483,718
82,388	235,964	318,352
1,201	0	1,201
(1,581,445)	0	(1,581,445)
(116,438)	116,438	0
379,315	352,402	731,717
(637,879)	(220,646)	(858,525)
3,134,737	14,901,999	18,036,736
\$2,496,858	\$14,681,353	\$17,178,211

# CHARTER TOWNSHIP OF MADISON

## Governmental Funds

### Balance Sheet

December 31, 2007

	General Fund	Downtown Development Authority	Building Department Fund
<b>Assets</b>			
Cash and cash equivalents	\$321,686	\$1,375,757	\$46,921
Investments	50,000	200,000	0
Receivables:			
Accounts, net	60,718	0	0
Special assessments	0	0	0
Interest receivable	464	5,688	0
Due from other funds	83,914	0	0
Due from other governments	158,462	0	0
Prepaid expenses	43,965	0	0
<b>Total Assets</b>	<b>\$719,209</b>	<b>\$1,581,445</b>	<b>\$46,921</b>
<b>Liabilities</b>			
Accounts payable	\$15,645	\$0	\$3,143
Accrued wages	32,840	0	0
Due to other funds	0	0	8,535
Due to other governments	1,999	1,581,445	0
Other liabilities	13,616	0	0
Deferred revenues	22,339	0	0
<b>Total Liabilities</b>	<b>86,439</b>	<b>1,581,445</b>	<b>11,678</b>
<b>Fund Balance</b>			
Reserved for prepaid items	43,965	0	0
Reserved for debt service	0	0	0
Unreserved	588,805	0	35,243
<b>Total Fund Balances</b>	<b>632,770</b>	<b>0</b>	<b>35,243</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$719,209</b>	<b>\$1,581,445</b>	<b>\$46,921</b>

See accompanying notes to the basic financial statements

Fire Building and Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$198,551	\$4,553	\$44,590	\$1,992,058
0	0	0	250,000
0	0	0	60,718
0	40,186	0	40,186
0	0	0	6,152
0	0	0	83,914
0	0	0	158,462
0	0	0	43,965
<u>\$198,551</u>	<u>\$44,739</u>	<u>\$44,590</u>	<u>\$2,635,455</u>
\$1,859	\$0	\$0	\$20,647
0	0	0	32,840
0	0	0	8,535
0	0	0	1,583,444
0	0	0	13,616
21,581	36,766	25,897	106,583
23,440	36,766	25,897	1,765,665
0	0	0	43,965
0	7,973	0	7,973
175,111	0	18,693	817,852
<u>175,111</u>	<u>7,973</u>	<u>18,693</u>	<u>869,790</u>
<u>\$198,551</u>	<u>\$44,739</u>	<u>\$44,590</u>	<u>\$2,635,455</u>

CHARTER TOWNSHIP OF MADISON

*Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
December 31, 2007*

<b>Total Fund Balances - Governmental Funds</b>		<b>\$869,790</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of capital assets	\$2,769,478	
Accumulated depreciation	<u>(1,120,403)</u>	
		1,649,075
Deferred Revenue is recognized as special assessments revenue on a modified accrual basis as money is collected in the governmental funds. However in the statement of net assets it is recognized as revenue in the year earned or when the special assessment project was completed.		
		36,766
Long-term liabilities including accrued compensated absences and long-term general obligations are not due and payable in the current year and therefore are not reported in the governmental funds.		
Compensated absences	(3,330)	
General obligations	<u>(55,443)</u>	
		<u>(58,773)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$2,496,858</u></b>

See accompanying notes to the basic financial statements

# CHARTER TOWNSHIP OF MADISON

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended December 31, 2007

	General Fund	Downtown Development Authority	Building Department Fund
<b>Revenues:</b>			
Taxes	\$193,143	\$898,682	\$0
Special assessments	0	0	0
Licenses and permits	3,942	0	46,992
State grants	483,718	0	0
Charges for services	12,499	0	0
Fines and forfeits	11,207	0	0
Interest and rentals	28,648	43,616	921
Ambulance services	323,069	0	0
Other revenues	28,006	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	1,084,232	942,298	47,913
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
General government	201,738	0	0
Public safety	774,766	0	48,179
Public works	60,290	0	0
Other functions	50,611	20	0
Capital outlay	0	8,036	0
Insurance	41,504	0	0
Debt service	0	0	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,128,909	8,056	48,179
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	(44,677)	934,242	(266)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Gain on sale of asset	1,201	0	0
Proceeds from capital lease	20,899	0	0
Operating transfers out	0	(116,438)	0
Transfers to other governments	0	(1,581,445)	0
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	22,100	(1,697,883)	0
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(22,577)	(763,641)	(266)
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning of Year	655,347	763,641	35,509
	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	<u>\$632,770</u>	<u>\$0</u>	<u>\$35,243</u>

See accompanying notes to the basic financial statements

Fire Building and Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$190,028	\$0	\$228,038	\$1,509,891
0	2,001	0	2,001
0	0	4,560	55,494
0	0	0	483,718
0	0	0	12,499
0	0	0	11,207
4,015	2,178	3,010	82,388
0	0	0	323,069
50	0	0	28,056
194,093	4,179	235,608	2,508,323
0	0	0	201,738
0	0	0	822,945
0	0	0	60,290
0	0	0	50,631
264,910	0	131,183	404,129
0	0	0	41,504
0	5,630	0	5,630
264,910	5,630	131,183	1,586,867
(70,817)	(1,451)	104,425	921,456
0	0	0	1,201
0	0	0	20,899
0	0	0	(116,438)
0	0	0	(1,581,445)
0	0	0	(1,675,783)
(70,817)	(1,451)	104,425	(754,327)
245,928	9,424	(85,732)	1,624,117
<u>\$175,111</u>	<u>\$7,973</u>	<u>\$18,693</u>	<u>\$869,790</u>

## CHARTER TOWNSHIP OF MADISON

*Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended December 31, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** (\$754,327)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$245,633	
Less current year depreciation	<u>(116,895)</u>	
		128,738

Deferred revenue is recognized as revenue in the governmental funds as cash is received on a modified accrual basis. However, under the full accrual basis of accounting, special assessment revenue is recognized in the year earned. (2,001)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 10,610

Capital lease proceeds are not reported as other financing sources on the Statement of Activities (20,899)

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**Change in Net Assets of Governmental Activities** (\$637,879)

See accompanying notes to the basic financial statements



# CHARTER TOWNSHIP OF MADISON

## Statement of Net Assets Proprietary Fund December 31, 2007

	Business-type Activities Enterprise Fund
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$248,031
Investments	721,254
Accounts receivable	276,208
Interest receivable	5,588
Total Current Assets	1,251,081
Restricted Assets:	
Construction:	
Cash with fiscal agent	6,536
Debt retirement:	
Cash	177,085
Special assessments receivable	3,590,639
Total Restricted Assets	3,774,260
Noncurrent Assets:	
Intangible Assets:	
Lenawee County Sewage Disposal System capacity contract	3,533,733
Less: Accumulated amortization	294,478
Total Intangible Assets	3,239,255
Capital Assets	19,663,592
Less: Allowance for depreciation	7,871,968
Total Capital Assets	11,791,624
Total Noncurrent Assets	15,030,879
Total Assets	\$20,056,220

See accompanying notes to the basic financial statements

	Business-type Activities Enterprise Fund
<b>Liabilities</b>	
Current Liabilities (payable from current assets):	
Accounts payable	\$74,869
Deposit payable	2,065
Accrued payroll	2,698
Accrued interest	49,059
Due to other governments	857
Due to other funds	75,379
Total Current Liabilities	204,927
Current Liabilities (payable from restricted assets):	
Bonds payable - water	40,000
Contract payable - water	190,000
Contract payable - sewer	144,234
Total Current Liabilities (payable from restricted assets)	374,234
Noncurrent Liabilities (net of current portion):	
Bonds payable - water	185,000
Contract payable - water	1,710,000
Contract payable - sewer	2,900,706
Total Noncurrent Liabilities (net of current portion)	4,795,706
Total Liabilities	5,374,867
<b>Net Assets</b>	
Invested in capital assets (net of related debt)	9,666,624
Invested in sewer capacity (net of related debt)	194,315
Restricted:	
Construction	6,536
Debt Service	3,767,724
Sewer system replacement	304,875
Unrestricted	741,279
Total Net Assets	14,681,353
Total Liabilities and Net Assets	\$20,056,220

# CHARTER TOWNSHIP OF MADISON

## Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
<b>Operating Revenues:</b>			
Charges for services	\$352,587	\$958,347	\$1,310,934
Other revenue	1,500	1,719	3,219
Total Operating Revenues	354,087	960,066	1,314,153
<b>Operating Expenses:</b>			
Wages	52,545	52,545	105,090
Employee benefits	27,331	27,331	54,662
Transmission and distribution	42,353	879,723	922,076
Office expense	2,085	4,325	6,410
Professional fees	4,311	2,500	6,811
Insurance	7,858	7,858	15,716
Utilities	22,273	19,538	41,811
Vehicle expense	3,461	2,610	6,071
Miscellaneous	4,510	1,168	5,678
Depreciation	198,413	229,505	427,918
Amortization	3,272	88,343	91,615
Total Operating Expenses	368,412	1,315,446	1,683,858
Net Operating Income (Loss)	(14,325)	(355,380)	(369,705)
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	96,676	139,288	235,964
Interest and fiscal charges	(115,718)	(126,323)	(242,041)
Refunded hookup fees	0	(133,000)	(133,000)
Total Non-Operating Revenues (Expenses)	(19,042)	(120,035)	(139,077)
Income (loss) before contributions and transfers	(33,367)	(475,415)	(508,782)
<b>Capital contributions</b>	36,441	135,257	171,698
<b>Transfers from other funds</b>	116,438	0	116,438
Change in Net Assets	119,512	(340,158)	(220,646)
Net Assets, Beginning of year	5,820,819	9,081,180	14,901,999
Net Assets, End of year	\$5,940,331	\$8,741,022	\$14,681,353

See accompanying notes to the basic financial statements

# CHARTER TOWNSHIP OF MADISON

## Statement of Cash Flows Proprietary Funds Year Ended December 31, 2007

	Business-type Activities Enterprise Fund
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$1,294,417
Cash paid to suppliers	(1,030,795)
Cash paid to employees	(104,977)
Water and sewer fund expenses paid out of the General Fund	(1,329)
Net cash provided by operating activities	157,316
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers from other funds	116,438
Loan payment from Road Construction Fund	50,000
Purchase of equipment	(8,639)
Net cash provided by Noncapital Financing activities	157,799
<b>Cash Flows From Capital and Related Financing Activities</b>	
Connection fees and special assessments collected	247,850
Payments for Lenawee sewage disposal system capacity contract	(140,228)
Principal payments on contracts and bonds payable	(337,375)
Interest payments on long term debt	(245,870)
Net cash (used) by capital and related financing activities	(475,623)
<b>Cash Flows From Investing Activities</b>	
Interest income	234,181
Purchase of investments	(416,354)
Maturities of investments	200,000
Net cash provided by investing activities	17,827
Net increase (decrease) in cash and cash equivalents	(142,681)
Cash and cash equivalents at beginning of year	574,333
Cash and cash equivalents at end of year	\$431,652
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income (loss)	(\$369,705)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	427,918
Amortization	91,615
Changes in assets and liabilities:	
Receivables - net of allowances	(19,736)
Accounts payable	28,509
Accrued payroll	113
Due to other governments	(69)
Due to other funds	(1,329)
Net cash provided by operating activities	\$157,316

See accompanying notes to the basic financial statements

## CHARTER TOWNSHIP OF MADISON

*Statement of Assets and Liabilities*  
*Agency Funds*  
*December 31, 2007*

	Total Agency Funds
<b>ASSETS</b>	
Cash in bank	\$596,460
Taxes receivable	3,202,199
Total Assets	<u>\$3,798,659</u>
<b>LIABILITIES</b>	
Performance bond payable	\$31,875
Due to taxing units	3,766,784
Total Liabilities	<u>\$3,798,659</u>

See accompanying notes to the basic financial statements

## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements Year Ended December 31, 2007*

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Note 1      Description of the Township and Reporting Entity

The Township operates under a locally elected seven member Board form of government. The Township provides the following services: public safety (fire protection, police, and ambulance service), road construction, cemetery care, public improvements, planning and zoning, construction code inspections, water and sewer, and general administrative services.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*," these financial statements present the Charter Township of Madison (the primary government). The criteria established by the GASB for determining the reporting entity includes fiscal dependency and whether the financial statements would be misleading if the data were not included.

Blended Component Unit

Downtown Development Authority

The Downtown Development Authority (DDA) is a legally separate entity created by the Township for the purpose of financing the construction of a municipal water system within the DDA district. Because the DDA is considered part of the government operations its data is combined with the data of the primary government.

Note 2      Summary of Significant Accounting Policies

The financial statements of the Charter Township of Madison have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are more significant of the Township's accounting policies.

A. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by general government revenues (i.e., property taxes, revenue sharing, fines, permits, and charges) and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the related program revenues, operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* must be directly associated with the function or business-type activity. Program revenues include 1) fines and forfeitures, licenses and permits fees, special assessments, and charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements.

## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements* *Year Ended December 31, 2007*

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#### Note 2

#### Summary of Significant Accounting Policies (Continued)

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due.

On the governmental funds statements, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The basic financial statements include both Government-Wide (based in the Township as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Township as a whole or major individual funds (within the individual fund financial statements). Both the Government-Wide and fund financial statements categorize activities as either governmental or business-type activities.

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Township has elected to treat all of its funds as major funds and accordingly, reports them all in the fund financial statements.

The Township reports the following major governmental funds:

##### General Fund

The General Fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Downtown Development Authority

The Downtown Development Authority is used to account for tax increment financing revenues designated for the planned and orderly revitalization of the Township's downtown business district. Because the activity of the fund is an integral part of the Township's operations it is not separately reported as a component unit but with the activities of the primary government.

## CHARTER TOWNSHIP OF MADISON

*Notes to Financial Statements*  
*Year Ended December 31, 2007*

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Note 2      Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Building Department Fund

The Building Department Fund is used to account for all revenues collected from building, mechanical, electrical, and plumbing permit fees that are restricted to enforcement of the Township's construction ordinances.

Fire Building and Apparatus Fund

The Fire Building and Apparatus Fund accounts for revenue from the Township's tax collections to be used for fire protection or replacement of equipment.

Stone Cove Point Debt Service Fund

The Stone Cove Point Debt Service Fund is used to account the accumulation of resources for, and the payment of, principal, interest, and related costs associated with the Township's long-term obligations.

Road Construction Fund

The Road Construction Fund is used to account for the Township's tax collections used for the construction of roads.

The Township reports the following major proprietary fund:

Enterprise Fund

The Enterprise Fund is used to account for the operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewage Disposal Fund is the only Enterprise Fund in this report.

In accordance with GASB Statement 20, the Township has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewage disposal fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, amortization, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Additionally, the Township reports the following fund types:



## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements* *Year Ended December 31, 2007*

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#### Note 2

#### Summary of Significant Accounting Policies (Concluded)

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

##### Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are reported in the fund financial statements only because they do not report resources under the control of the Township. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### D. Assets, Liabilities, and Net Assets

##### Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and temporary investments with maturities of three months or less from the date of acquisition.

##### Investments

In accordance with GASB Statement No. 31, investments are recorded at fair value.

##### Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific program and capital projects. Program grants and capital grants for fixed assets are recorded as receivables and revenues at the time the reimbursable project costs are incurred. Revenues received in advance of the project costs being incurred as deferred.

##### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### Restricted Assets

Proprietary Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources, such as cash, that can be used only to service outstanding debt.

##### Intangible Assets

Intangible assets acquired as a result of contract provisions are reported in the business type activities column in the Government-Wide financial statements. Intangible assets that are identifiable, are recorded at their historical cost of development or acquisition, and amortized based on their estimated useful lives not to exceed 40 years. Amortization of intangible assets is charged as a program expense in the statement of activities and as an operating expense in the proprietary fund financial statements.

##### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the Government-Wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of at least \$3,000 and an estimated useful life in excess of two years.

## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements* *Year Ended December 31, 2007*

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#### Note 2      Summary of Significant Accounting Policies (Continued)

##### D. Assets, Liabilities, and Net Assets (Continued)

##### Capital Assets (Concluded)

These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of the normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized.

Depreciation of all exhaustible capital assets used by the Township is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Land improvements	15
Building and building improvements	15-75
Police vehicles	2-3
Fire vehicles	10-20
Ambulance vehicles	10
Public safety equipment	5-20
Township office equipment	5-10

##### Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

##### Accrued Liabilities and Long-Term Obligations

In the Government-Wide financial statements and proprietary fund financial statements, long term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements* *Year Ended December 31, 2007*

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#### Note 2      Summary of Significant Accounting Policies (Concluded)

##### D. Assets, Liabilities, and Net Assets (Concluded)

###### Compensated Absences

Township employees are granted vacation and personal days under formulas and conditions in the employees contract or Township policy. The vacation and personal pay are accrued in the Government-Wide financial statements. In the fund financial statements, these amounts are reported when paid as wages.

###### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets and capacity, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

#### Note 3      Stewardship, Compliance, and Accountability Budget Policy and Budgetary Accounting

Budgetary comparison schedules are required to be presented as Required Supplementary Information for the General Fund and each major Special Revenue Fund for which an annual budget has been adopted. Under the new reporting model GASB Statement No. 34 the following information is to be reported:

- Original Budget
- Final Budget
- Actual inflows, outflows and balances on a budgetary basis

The Township has presented the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Fund in the Budgetary Comparison Schedules as Required Supplementary Information.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, the Capital Project Fund, and the Debt Service Fund. The legal level of budgetary control is the department level. All unexpended appropriations lapse at fiscal year end. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township supervisor submits to the Board of Trustees a proposed operating budget for the fiscal year beginning Jan 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December the budget is legally enacted through a Board resolution.
4. Any revisions of the budget must be approved by a Board resolution.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. There were not individual amendments in relation to the original appropriation.

## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements Year Ended December 31, 2007*

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#### Note 4

#### Deposits and Investments

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. Banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, credit unions which are insured with the applicable federal agency.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since the State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Charter Township of Madison Board has authorized five depositories: United Bank & Trust, Bank of Lenawee, Sky Bank, LaSalle Bank, and MBIA Municipal Investors Service, Corp.

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and money management accounts", "Certificates of Deposits", "Investments", "Restricted assets: cash in bank", and "Restricted assets: cash with fiscal agent."

*Interest rate risk.* The Township does not have a policy to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township does have an investment policy that will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, and does limit investments to certain types of securities with low credit risk.

*Concentration of credit risk.* The Township does not have limits on the amount it may deposit with any one issuer or backer.

*Custodial credit risk.* Custodial credit risks for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$3,374,806 invested in certificates of deposits, checking accounts, savings accounts, money management accounts and short-term pooled investment funds. The Township's deposits are insured by the FDIC in the amount of \$400,000, with uninsured deposits of \$2,974,806. The Township's deposits are at institutions with an established record of fiscal health and service. The Township board approves and designates a list of authorized depository institutions. The Township's policy does not address deposit risk.

*Foreign currency risk.* The Township is not authorized to invest in investment which have this type of risk.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 4      Deposits and Investments (Concluded)

At year end deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$1,992,058	\$ 248,031	\$2,240,089	\$596,460
Temporary investments	250,000	721,254	971,254	-
Restricted cash	-	183,621	183,621	-
	<u>\$2,242,058</u>	<u>\$1,152,906</u>	<u>\$3,394,964</u>	<u>\$596,460</u>

The breakdown between deposits and investments for the Township were as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking accounts, savings, and certificates of deposit)	\$1,098,285	\$1,146,370	\$2,244,655	\$596,460
Petty cash	100	-	100	-
Cash with fiscal agent	-	6,536	6,536	-
Public short-term pooled investment funds held by bank depository	1,143,673	-	1,143,673	-
	<u>\$2,242,058</u>	<u>\$1,152,906</u>	<u>\$3,394,964</u>	<u>\$596,460</u>

### Note 5      Marketable Securities

The Township reporting conforms to the Government Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Under GASB 31, investments in U.S. government securities, corporate bonds and certificates of deposit with an original maturity at time of purchase of one year or less are stated at amortized cost. All other investments are recorded at fair value, based on quoted market prices.

Investments are classified into three categories of custodial credit risk as follows:

- Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 5      Marketable Securities (Concluded)

Temporary investments which are considered cash and cash equivalents of the General Fund include the following:

	<u>Cost</u>	<u>Fair Value</u> <u>12/31/06</u>	<u>Purchases</u>	<u>Sales</u>	<u>Subtotal</u>	<u>Fair Value</u> <u>12/31/07</u>	<u>Change in</u> <u>Fair Value</u>
Category 2:							
Held by Agent							
Investment pool	\$133,059	\$ 133,059	\$1,010,614	\$ -	\$1,010,614	\$1,143,673	\$10,614

### Note 6      Intangible Assets

In an agreement dated May 1, 2002 Lenawee County agreed to construct the Central Lenawee Sewage Disposal System for the benefit of Madison Township and Palmyra Township. The construction was to be financed by the Lenawee County Sewage Disposal Bonds, Series 2003A.

Both Madison Township and Palmyra Township agreed to pay the cost of constructing the facility by paying bond principal and interest payments as they mature based on each Township's share of capacity.

The agreement dated May 1, 2002 states that Lenawee County owns the Central Lenawee County Sewage Disposal System and that the Townships are buying guaranteed capacity for a period of 40 years. Therefore, the \$3,533,733 that Madison Township has agreed to as its share of bond principal has been recorded on the basic financial statements as a capacity contract. The Township is currently amortizing this cost over the period of guaranteed capacity, 40 years. The annual amortization expense will be \$88,343.

Madison Township began using the system in September, 2005. For the year ended 2007 the Township recognized twelve months of amortization expense in the amount of \$88,343.

Amortization expense for each of the following five years and years thereafter are as follows:

2008	\$ 88,343
2009	88,343
2010	88,343
2011	88,343
2012	88,343
2013 to 2044	<u>2,797,541</u>
	<u>\$3,239,256</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 7

#### Capital Assets

A summary of changes in capital assets follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
<u>Government Activities</u>				
Assets not being depreciated:				
Land	\$237,401	\$0	\$0	\$237,401
Capital assets being depreciated:				
Buildings and Building Improvements	759,401	0	0	759,401
Police Vehicles	58,286	26,185	(28,763)	113,234
Fire Vehicles	1,054,361	213,608	0	1,267,969
Fire Equipment	231,435	0	0	231,435
Ambulance Vehicles	108,900	0	0	108,900
Ambulance Equipment	75,649	0	0	75,649
Office Equipment	27,175	5,840	0	33,015
	<u>2,552,608</u>	<u>245,633</u>	<u>(28,763)</u>	<u>2,769,478</u>
Less accumulated depreciation for:				
Buildings and Building Improvements	(223,042)	(12,389)	0	(235,431)
Police Vehicles	(58,286)	(8,001)	28,763	(95,050)
Fire Vehicles	(566,346)	(60,443)	0	(626,789)
Fire Equipment	(65,374)	(13,660)	0	(79,034)
Ambulance Vehicles	(53,543)	(10,890)	0	(64,433)
Ambulance Equipment	(42,138)	(6,877)	0	(49,015)
Office Equipment	(23,542)	(4,635)	0	(28,177)
Total accumulated depreciation	<u>(1,032,271)</u>	<u>(116,895)</u>	<u>28,763</u>	<u>(1,177,929)</u>
Net Capital Assets	<u>\$1,520,337</u>	<u>\$128,738</u>	<u>\$0</u>	<u>\$1,649,075</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 6,962
Public safety	<u>109,933</u>

Total depreciation expense - governmental activities \$116,895

# CHARTER TOWNSHIP OF MADISON

## *Notes to Financial Statements* *Year Ended December 31, 2007*

### Note 7      Capital Assets (Concluded)

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
<u>Business-type Activities</u>				
Capital assets being depreciated:				
Vehicles and equipment	\$185,675	\$8,639	\$0	\$194,314
Buildings and improvements	31,830	0	0	31,830
Water and sewer lines	19,437,448	0	0	19,437,448
Total Capital Assets	19,654,953	8,639	0	19,663,592
Less accumulated depreciation for:				
Vehicles and equipment	(121,321)	(15,937)	0	(137,258)
Buildings and improvements	(12,264)	(1,274)	0	(13,538)
Water and sewer lines	(7,310,465)	(410,707)	0	(7,721,172)
Total Accumulated Depreciation	(7,444,050)	(427,918)	0	(7,871,968)
Business-Type Activities				
Net Capital Assets	\$12,210,903	(\$419,279)	\$0	\$11,791,624
Depreciation expense was charged to business-type functions as follows:				
Water				\$198,413
Sewer				229,505
Total Depreciation Expense -Business-Type Activities				\$427,918



# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 8

#### Long-Term Debt

Following is a summary of changes in long-term debt:

	Balance December 31, 2006	Additions	Deletions	Balance December 31, 2007	Due Within One Year
2003 Lenawee County Refunding Bonds for 1992 debt retirement bearing interest at rates 1.0% to 2.5%.	\$115,000	\$0	\$115,000	\$0	\$0
1995 Water Supply System General Obligation Bonds, bearing interest at rates 4.2% to 6.0%.	260,000	0	35,000	225,000	40,000
1997 contract payable to Lenawee County for water system construction bearing interest at rates 4.8% to 5.0%.	2,090,000	0	190,000	1,900,000	190,000
2003 contract payable to Lenawee County for sewage disposal system construction, bearing interest at rates 3.0% to 4.6%.	3,185,168	0	140,228	3,044,940	144,234
Total Enterprise Fund	5,650,168	0	480,228	5,169,940	374,234
2001 Special Assessment Loan issued with the Bank of Lenawee, to finance the construction of Stone Cove Road, bearing interest at 5.35%.	45,154	0	3,181	41,973	3,386
2007 Capital Lease/Installment with Ford Motor Credit for the purchase of a 2007 Crown Victoria. Payments are made annually with interest at 6.80%.	0	20,899	7,429	13,470	6,513
Compensated absences	3,330	0	0	3,330	3,330
Total General Long-Term Debt	48,484	20,899	10,610	58,773	13,229
	<u>\$5,698,652</u>	<u>\$20,899</u>	<u>\$490,838</u>	<u>\$5,228,713</u>	<u>\$387,463</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 8

#### Long-Term Debt (Continued)

##### 2001 Special Assessment Loan

On December 10, 2001, the Township borrowed \$63,000 from the Bank of Lenawee to fund the cost of paving Stone Cove Pointe Road. The loan principal and interest will be repaid from the proceeds of special assessments that are being levied on the real estate along Stone Cove Pointe Road. As of December 31, 2007, \$41,973 of the promissory note was outstanding.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
06/01/2008	5.350	\$2,214	\$ 3,416	\$ 5,630
06/01/2009	5.350	2,063	3,567	5,630
06/01/2010	5.350	1,872	3,758	5,630
06/01/2011	5.350	<u>1,671</u>	<u>31,232</u>	<u>32,903</u>
		<u>\$7,820</u>	<u>\$41,973</u>	<u>\$49,793</u>

##### 2007 Capital Lease/Installment Purchase

On February 14, 2007, the Township entered into a lease purchase agreement with Ford Motor Credit Company in the amount of \$20,899 to finance a capital lease/installment purchase of a new 2007 Ford Crown Victoria.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
02/14/2008	6.800	\$ 916	\$ 6,513	\$ 7,429
02/14/2009	6.800	<u>473</u>	<u>6,956</u>	<u>7,429</u>
		<u>\$1,389</u>	<u>\$13,469</u>	<u>\$14,858</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 8

#### Long-Term Debt (Continued)

#### 1995 Water Supply System Bonds

On June 1, 1995, the Township issued \$685,000 of its bonds to fund the cost of improvements to the water system. The bond principal and interest will be repaid from the proceeds of special assessments that are being charged to the users of the system improvements. As of December 31, 2007, \$225,000 of the bonds payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2008	5.500	\$ 6,458	\$ 40,000	\$ 46,458
11/01/2008		5,358		5,358
05/01/2009	5.600	5,358	40,000	45,358
11/01/2009		4,237		4,237
05/01/2010	5.700	4,237	40,000	44,237
11/01/2010		3,097		3,097
05/01/2011	5.800	3,097	40,000	43,097
11/01/2011		1,938		1,938
05/01/2012	5.900	1,938	25,000	26,938
11/01/2012		1,200		1,200
05/01/2013	6.000	1,200	20,000	21,200
11/01/2013		600		600
05/01/2014	6.000	600	10,000	10,600
11/01/2014		300		300
05/01/2015	6.000	<u>300</u>	<u>10,000</u>	<u>10,300</u>
		<u>\$39,918</u>	<u>\$225,000</u>	<u>\$264,918</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 8

#### Long-Term Debt (Continued)

##### 1997 Contract Payable to Lenawee County for Water Bonds

On July 1, 1997, the County of Lenawee issued \$3,460,000 of its bonds to partially fund the cost of improvements to the water system of the Charter Township of Madison. The Township has entered into an agreement with the County whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2007, \$1,900,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2008	4.900	\$ 47,405	\$ 190,000	\$ 237,405
11/01/2008		42,750		42,750
05/01/2009	5.000	42,750	190,000	232,750
11/01/2009		38,000		38,000
05/01/2010	5.000	38,000	190,000	228,000
11/01/2010		33,250		33,250
05/01/2011	5.000	33,250	190,000	223,250
11/01/2011		28,500		28,500
05/01/2012	5.000	28,500	190,000	218,500
11/01/2012		23,750		23,750
05/01/2013	5.000	23,750	190,000	213,750
11/01/2013		19,000		19,000
05/01/2014	5.000	19,000	190,000	209,000
11/01/2014		14,250		14,250
05/01/2015	5.000	14,250	190,000	204,250
11/01/2015		9,500		9,500
05/01/2016	5.000	9,500	190,000	199,500
11/01/2016		4,750		4,750
05/01/2017	5.000	4,750	190,000	194,750
		<u>\$474,905</u>	<u>\$1,900,000</u>	<u>\$2,374,905</u>

##### 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds

On April 16, 2003, the County of Lenawee issued \$4,410,000 of its bonds to fund the costs of constructing, maintaining and operating a sewage disposal system within the County, with the Charter Township of Madison's share equaling \$3,533,733. The sewage disposal system will serve property in the Township of Palmyra and the Charter Township of Madison. The Charter Township of Madison is financing part of their portion of the costs through a settlement it reached with the State of Michigan regarding the connection charges for its prison facilities. The State has agreed to pay Madison \$2,700,000 plus interest, in 240 equal monthly installments.

# CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements  
Year Ended December 31, 2007

## Note 8

### Long-Term Debt (Continued)

#### 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Continued)

Due Date	Interest Rate	Interest Amount	Principal Amount	Totals
04/01/2008		\$76,969		\$76,969
10/01/2008	3.250	76,969	\$180,000	256,969
04/01/2009		74,044		74,044
10/01/2009	3.375	74,044	180,000	254,044
04/01/2010		71,006		71,006
10/01/2010	3.375	71,006	190,000	261,006
04/01/2011		67,800		67,800
10/01/2011	3.500	67,800	195,000	262,800
04/01/2012		64,388		64,388
10/01/2012	3.650	64,388	200,000	264,388
04/01/2013		60,737		60,737
10/01/2013	3.750	60,737	210,000	270,737
04/01/2014		56,800		56,800
10/01/2014	3.850	56,800	220,000	276,800
04/01/2015		52,565		52,565
10/01/2015	3.950	52,565	225,000	277,565
04/01/2016		48,121		48,121
10/01/2016	4.050	48,121	235,000	283,121
04/01/2017		43,363		43,363
10/01/2017	4.150	43,363	245,000	288,363
04/01/2018		38,278		38,278
10/01/2018	4.250	38,278	255,000	293,278
04/01/2019		32,860		32,860
10/01/2019	4.350	32,860	265,000	297,860
04/01/2020		27,096		27,096
10/01/2020	4.400	27,096	280,000	307,096
04/01/2021		20,936		20,936
10/01/2021	4.500	20,936	295,000	315,936
04/01/2022		14,299		14,299
10/01/2022	4.550	14,299	305,000	319,299
04/01/2023		7,360		7,360
10/01/2023	4.600	7,360	320,000	327,360
		<u>\$1,513,244</u>	<u>\$3,800,000</u>	<u>\$5,313,244</u>
		\$1,513,244	\$3,800,000	\$5,313,244
		x .8013	x .8013	x .8013
Madison Township's portion		<u>\$1,212,562</u>	<u>\$3,044,940</u>	<u>\$4,257,502</u>

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 8      Long-Term Debt (Concluded)

#### 2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Concluded)

Allocation of debt service costs is based on Madison's share of the system which includes the construction of approximately 8,500 feet of sewer main and its share of the plant capacity based on the total number of residential equivalent units (REU's). As of December 31, 2007, the Charter Township of Madison's allocation is 80.13%.

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2007, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$9,899	\$3,160	\$13,059
2009	10,523	2,536	13,059
2010	3,758	1,872	5,630
2011	31,262	1,671	32,933
	<u>\$55,442</u>	<u>\$9,239</u>	<u>\$64,681</u>

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$374,234	\$225,322	\$599,556
2009	374,234	209,008	583,242
2010	382,247	192,378	574,625
2011	386,254	175,441	561,695
2012	375,260	158,576	533,836
2013-2017	1,899,476	540,968	2,440,444
2018-2022	1,121,820	213,897	1,335,717
2023-2027	256,415	11,796	268,211
	<u>\$5,169,940</u>	<u>\$1,727,386</u>	<u>\$6,897,326</u>

### Note 9      Property Taxes

The Township bills and collects its own property taxes and also taxes for the County of Lenawee, Adrian Public Schools, Madison School District, Sand Creek Community Schools and the Lenawee County Intermediate School District. Collections are accounted for in the Tax Collection Agency Fund. For 2007, the Township levied, on December 31, 2006 1.00 mills for general operating, 1.00 mills for fire operating and 1.20 mills for road maintenance due and payable on February 14, 2007. The valuation for real and personal property totaled \$195,924,304 which was based on December 31, 2006 assessments.

The taxes receivable of \$3,202,199 and the \$3,766,784 liability to the taxing authorities reflected in the Tax Collection Agency Fund relate to the December 2007 tax bills. The Township's share of these taxes will be reflected as revenues in 2008.

## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements* *Year Ended December 31, 2007*

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#### Note 10    Tax Increment Financing

Tax increment financing is the setting aside of the taxes generated by an increase in the assessed value of the designated properties for a specific purpose.

On March 13, 1990, the Township adopted a Tax Increment Financing Authority plan for the Madison Downtown Development District as allowed under the Downtown Development Act, Act No. 197 of the Public Acts of 1975. The plan is devoted to the planned and orderly revitalization of the downtown business district. For the fiscal year ended December 31, 2007, the Downtown Development Authority Special Revenue Fund recorded \$898,682 as property tax revenue generated from the downtown development district. However, an undetermined amount must be repaid to the County, Schools, and ISD as part of a settlement for excess captured school taxes.

#### Note 11    Segment Information for Enterprise Fund

The Township maintains one Enterprise Fund which provides water and sanitary sewer services to Township residents and businesses. Segment information for the year ended December 31, 2007 follows:

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 1,314,153	\$354,087	\$960,066
Depreciation and amortization	519,533	201,685	317,848
Operating income (loss)	(369,705)	(14,325)	(355,380)
Net income (loss) before contributions and transfers	(508,782)	(33,367)	(475,415)
Contributed capital		36,441	135,257
Property and equipment: Additions	8,639		
Bonds and contracts payable	5,169,940	4,319	4,320
Total assets	20,056,220		
Total net assets	14,681,353		

#### Note 12    Connection Fees and Special Assessment Receivable

On December 20, 2002, the Charter Township of Madison, Lenawee County, Michigan entered into an agreement with the State of Michigan Department of Management and Budget, Office of Infrastructure Services, acting on behalf of the Michigan Department of Corrections. The agreement outlines the terms and conditions under which the existing sanitary sewer collection facilities at the Gus Harrison Correctional Facility and the Parr Highway Correctional Facility are to be connected to the new Central Lenawee Sewage Disposal System. In consideration for allocating 900 REUs (Residential Equivalent Units) of Madison Township's capacity, the State shall pay a connection charge to Madison Township in the amount of \$2,700,000 (representing 900 REUs at \$3,000 per REU) payable in 240 consecutive monthly installments together with interest on the unpaid balance. Payments were to commence on the first day of the month following the date on which the facilities are connected to the newly completed system with an effective interest rate of 4.22% (the average rate of the Sewage Disposal System Bonds used to fund the construction of the facility). The \$2,700,000 has been included in the Statement of Activities as an operating contribution in the Government-wide Statements and also included in connections fees under Capital Contributions in the Statement of Revenues, Expenses and Changes in Net Assets-Proprietary Funds. As of December 31, 2007 the State had an unpaid balance for sewer connection fees in the amount \$2,400,384. This amount is included in the amount reported for Special assessments receivable in the Statement of Net Assets-Proprietary Funds.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 12      Connection Fees and Special Assessment Receivable (Concluded)

A summary of the total collections per year remaining due from the state follows:

<u>Year of Collection:</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
2008	\$99,008	\$101,106	\$200,114
2009	94,658	105,456	200,114
2010	90,121	109,993	200,114
2011	85,388	114,726	200,114
2012	80,452	119,662	200,114
2013	75,303	124,811	200,114
2014	69,933	130,181	200,114
2015	64,332	135,782	200,114
2016	58,490	141,624	200,114
2017	52,396	147,718	200,114
2018	46,041	154,073	200,114
2019	39,412	160,702	200,114
2020	32,497	167,617	200,114
2021	25,286	174,828	200,114
2022	17,764	182,350	200,114
2023	9,917	190,197	200,114
2024	2,095	131,323	133,418
	<u>\$943,093</u>	<u>\$2,392,149</u>	<u>\$3,335,242</u>

### Note 13      Interfund Receivable and Payable Balances

Balances as of December 31, 2007 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water and Sewer Fund	\$75,379	
Building Department Fund	8,535	
Water/Sewer:		
General Fund		\$75,379
Building Department:		
General Fund		<u>8,535</u>
	<u>\$83,914</u>	<u>\$83,914</u>

### Note 14      Compensated Absences

The Township allows employees to accumulate vacation days; however, did not record any changes in accrued accumulated vacation pay as of December 31, 2007. The accumulated vacation pay is accrued in the Government-Wide financial statements. In the fund financial statements these amounts are reported when paid.



## CHARTER TOWNSHIP OF MADISON

### *Notes to Financial Statements Year Ended December 31, 2007*

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Note 15     Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 16     Unemployment Compensation

Effective January 1, 1975, political subdivisions became subject to the Michigan Employment Security Act. The Township, instead of paying regular contributions to the State Unemployment Fund, has elected to make reimbursement payments. Reimbursement payments made during the fiscal year ended December 31, 2007 were \$0.

Note 17     Retirement Commitments

Plan Description

The Charter Township of Madison is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Township's covered payroll for employees covered by the system for the year ended December 31, 2007 was \$468,103 out of a total of \$687,679.

All full time Township employees are eligible to participate in MERS. Benefits vest after 10 years of service. Township employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit of 2.0% of a members five year final average compensation, payable until attainment of the age at which unreduced social security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to 1.7% of a members five year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments. These benefit provisions and all other requirements are established by state statute and Township Council resolution.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 447 North Canal Road, Lansing, Michigan, 48197.

Funding Policy

Employees contribute 5.0% of their wages to the plan. The Township is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Township's annual required contribution was \$26,401 for the fiscal year ending December 31, 2007. The contribution requirements of plan members and the Township are established by the Township and by the MERS Board of Trustees. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method.

Significant actuarial assumptions include 1) a rate of return on the investment of present and future assets of 8.0% per year compounded annually 2) projected salary increases of 4.5% per year compounded annually, attributable to inflation 3) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and 4) the assumption that benefits will increase 2.5% per year (annually) after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

# CHARTER TOWNSHIP OF MADISON

## Notes to Financial Statements Year Ended December 31, 2007

### Note 17 Retirement Commitments (Concluded) Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The contribution to MERS for the year ended December 31, 2007, of \$49,796 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2006. The Township contributed \$26,401 and employees contributed \$23,395.

### Three-year Trend Information

	<u>Valuation Ended December 31,</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$403,875	\$446,565	\$493,593
Actuarial accrued liability (entry age)	620,479	600,710	667,649
Unfunded (overfunded) AAL	216,604	154,145	174,056
Funded ratio	65%	74%	74%
Annual covered payroll	450,529	407,529	447,972
UAAL as a percentage of annual covered payroll	48%	38%	39%

### Note 18 Excess of Expenditures over Appropriations

During the year ended December 31, 2007, the Township incurred the following instances of expenditures in excess of amounts appropriated.

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditures</u>
General Fund	\$1,097,323	\$1,128,909	\$31,586

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balances

#### Budget and Actual

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property taxes	\$170,980	\$170,980	\$172,819	\$1,839
Income in lieu of property taxes	15,200	15,200	14,327	(873)
Industrial facilities tax	3,715	3,715	3,397	(318)
Penalties & interest on taxes	1,500	1,500	2,600	1,100
	191,395	191,395	193,143	1,748
Licenses and Permits:				
Business licenses and permits	3,000	3,000	3,942	942
State Grants:				
State revenue sharing	495,000	495,000	475,572	(19,428)
Liquor license fees	2,200	2,200	2,648	448
Highway safety grant	0	0	4,998	4,998
Police Training	500	500	500	0
	497,700	497,700	483,718	(13,982)
Charges for services	17,000	17,000	12,499	(4,501)
Fines and Forfeits:				
Fines	12,800	12,800	11,207	(1,593)
Interest and Rentals:				
Interest	5,000	5,000	14,621	9,621
Property rental	12,000	12,000	12,300	300
Equipment rental	1,300	1,300	1,727	427
	18,300	18,300	28,648	10,348
Ambulance services	326,000	326,000	323,069	(2,931)
Other Revenue:				
Other revenue	23,000	23,000	28,006	5,006
Total Revenues	1,089,195	1,089,195	1,084,232	(4,963)
<b>Expenditures</b>				
General government:				
Township Board	29,801	29,801	33,284	(3,483)
Supervisor	26,034	26,034	25,514	520
Elections	3,050	3,050	2,955	95
Assessor	36,000	36,000	32,877	3,123
Attorney	24,000	24,000	28,490	(4,490)
Clerk	34,858	34,858	35,260	(402)
Payroll services	2,100	2,100	2,600	(500)
Audit	17,000	17,000	10,000	7,000
Treasurer	31,558	31,558	30,758	800
Total General Government	204,401	204,401	201,738	2,663

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Expenditures (Concluded)</b>				
Public Safety:				
Fire protection	\$275,065	\$275,065	\$265,638	\$9,427
Police department	176,784	176,784	185,631	(8,847)
Zoning inspector	5,500	5,500	4,282	1,218
Ambulance	297,073	297,073	319,215	(22,142)
Total Public Safety	754,422	754,422	774,766	(20,344)
Public Works:				
Street lighting	38,000	38,000	39,780	(1,780)
Trash pickup	0	0	16,209	(16,209)
Drains at large	3,000	3,000	4,301	(1,301)
Total Public Works	41,000	41,000	60,290	(19,290)
Other Functions				
Planning and zoning	1,500	1,500	1,595	(95)
Zoning board of appeals	1,650	1,650	560	1,090
Board of review	1,050	1,050	690	360
Cemetery care	2,500	2,500	2,132	368
Township Office	55,800	55,800	45,634	10,166
Insurance	35,000	35,000	41,504	(6,504)
Total Other Functions	97,500	97,500	92,115	5,385
Total Expenditures	1,097,323	1,097,323	1,128,909	(31,586)
Excess (Deficiency) of Revenues Over Expenditures	(8,128)	(8,128)	(44,677)	(36,549)
<b>Other Financing Sources (Uses)</b>				
Gain on sale of asset	0	0	1,201	1,201
Proceeds from capital lease	0	0	20,899	20,899
Operating transfers in	80,000	80,000	0	(80,000)
Total Other Financing Sources (Uses)	80,000	80,000	22,100	(57,900)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	71,872	71,872	(22,577)	(94,449)
Fund Balances - Beginning of Year	655,347	655,347	655,347	0
Fund Balances - End of Year	\$727,219	\$727,219	\$632,770	(\$94,449)

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>General Government</b>				
Township Board:				
Salaries	\$14,400	\$14,400	\$14,400	\$0
Benefits	1,101	1,101	1,102	(1)
Memberships and dues	8,000	8,000	8,783	(783)
Education	1,800	1,800	1,549	251
Supplies	2,000	2,000	1,197	803
Miscellaneous	2,500	2,500	413	2,087
Capital outlay	0	0	5,840	(5,840)
	29,801	29,801	33,284	(3,483)
Supervisor:				
Salaries	23,255	23,255	23,255	0
Benefits	1,779	1,779	1,779	0
Education	1,000	1,000	480	520
	26,034	26,034	25,514	520
Elections:				
Fees & wages	2,300	2,300	2,369	(69)
Supplies	0	0	586	(586)
Printing and publishing	250	250	0	250
Miscellaneous	500	500	0	500
	3,050	3,050	2,955	95
Assessor:				
Contracted Services	36,000	36,000	29,392	6,608
Printing and publishing	0	0	3,485	(3,485)
	36,000	36,000	32,877	3,123
Attorney:				
Legal fees	24,000	24,000	28,490	(4,490)
Clerk:				
Salaries	25,600	25,600	26,753	(1,153)
Benefits	1,958	1,958	1,958	0
Supplies	1,200	1,200	183	1,017
Education	1,000	1,000	768	232
Printing and publishing	5,000	5,000	5,598	(598)
Miscellaneous	100	100	0	100
	34,858	34,858	35,260	(402)
Payroll Services:				
Contracted Services	2,100	2,100	2,600	(500)
Independent Audit:				
Auditing fees	17,000	17,000	10,000	7,000

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule

Year Ended December 31, 2007

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Treasurer:				
Salaries	\$25,600	\$25,600	\$25,600	\$0
Benefits	1,958	1,958	1,958	0
Supplies	500	500	106	394
Internet access	800	800	582	218
Postage	0	0	1,645	(1,645)
Printing and publishing	2,000	2,000	0	2,000
Education	700	700	867	(167)
	<u>31,558</u>	<u>31,558</u>	<u>30,758</u>	<u>800</u>
 Total General Government	 204,401	 204,401	 201,738	 2,663
 <b>Public Safety</b>				
Fire Protection:				
Salaries	149,900	149,900	143,975	5,925
Benefits	40,815	40,815	44,638	(3,823)
Contracted Services	0	0	7,280	(7,280)
Office supplies	4,000	4,000	4,378	(378)
Operating supplies	2,000	2,000	1,388	612
Gas and oil	8,000	8,000	4,738	3,262
Uniforms and laundry	3,000	3,000	1,338	1,662
Buildings and grounds maintenance	3,000	3,000	2,201	799
Vehicle maintenance	5,000	5,000	5,383	(383)
Radio maintenance	4,000	4,000	5,310	(1,310)
Other maintenance	2,500	2,500	2,721	(221)
Transportation	2,500	2,500	437	2,063
Telephone	16,000	16,000	12,712	3,288
Printing	500	500	86	414
Utilities - electric	7,500	7,500	9,541	(2,041)
Utilities - heat	12,000	12,000	8,560	3,440
Utilities - water (hydrant rental)	350	350	344	6
Memberships and dues	5,000	5,000	2,427	2,573
Training	4,000	4,000	4,786	(786)
Physicals	2,000	2,000	1,711	289
Miscellaneous	3,000	3,000	1,684	1,316
	<u>275,065</u>	<u>275,065</u>	<u>265,638</u>	<u>9,427</u>

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Year Ended December 31, 2007

(Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Police Protection:				
Salaries	\$106,213	\$106,213	\$110,124	(\$3,911)
Benefits	35,471	35,471	28,982	6,489
Supplies	2,500	2,500	1,705	795
Vehicle maintenance	3,000	3,000	616	2,384
Training	1,800	1,800	1,302	498
Physicals	400	400	100	300
Fuel	6,000	6,000	5,216	784
Dues and subscriptions	3,500	3,500	1,983	1,517
Uniform expense	2,000	2,000	444	1,556
Cell phone	1,400	1,400	0	1,400
Capital outlay	14,000	14,000	26,183	(12,183)
Miscellaneous	500	500	1,547	(1,047)
Debt service	0	0	7,429	(7,429)
	176,784	176,784	185,631	(8,847)
Zoning Inspector:				
Fees	5,000	5,000	4,118	882
Supplies	50	50	0	50
Education	150	150	0	150
Transportation	300	300	164	136
	5,500	5,500	4,282	1,218
Ambulance:				
Salaries	194,500	194,500	210,966	(16,466)
Benefits	79,073	79,073	79,514	(441)
Contracted Services	0	0	8,009	(8,009)
Vehicles expense	11,500	11,500	10,224	1,276
Supplies	8,000	8,000	7,447	553
Licenses	1,000	1,000	850	150
Education	3,000	3,000	2,205	795
	297,073	297,073	319,215	(22,142)
Total Public Safety	754,422	754,422	774,766	(20,344)
<b>Public Works</b>				
Street Lighting:				
Utilities	38,000	38,000	39,780	(1,780)
Trash Pickup:				
Contract Services	0	0	16,209	(16,209)
Drains at large	3,000	3,000	4,301	(1,301)
Total Public Works	41,000	41,000	60,290	(19,290)

# CHARTER TOWNSHIP OF MADISON

## General Fund

### Detailed Budgetary Comparison Schedule Budget and Actual Year Ended December 31, 2007 (Concluded)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Other Functions</b>				
Planning and Zoning:				
Fees	\$1,500	\$1,500	\$1,595	(\$95)
Zoning Board of Appeals:				
Fees	500	500	560	(60)
Supplies	1,150	1,150	0	1,150
	1,650	1,650	560	1,090
Board of Review:				
Fees	900	900	690	210
Supplies	150	150	0	150
	1,050	1,050	690	360
Cemetery Care:				
Maintenance	1,500	1,500	1,402	98
Supplies	1,000	1,000	730	270
	2,500	2,500	2,132	368
Township Office:				
Clerical wages	33,300	33,300	21,111	12,189
Benefits	0	0	1,702	(1,702)
Repairs and maintenance	3,000	3,000	7,288	(4,288)
Printing and Publishing	0	0	2,830	(2,830)
Postage	0	0	4,000	(4,000)
Electric	12,000	12,000	5,130	6,870
Heat	5,000	5,000	244	4,756
Supplies	2,500	2,500	3,329	(829)
	55,800	55,800	45,634	10,166
Insurance (Bonds & Liability)	35,000	35,000	41,504	(6,504)
Total Other Functions	97,500	97,500	92,115	5,385
Total Expenditures	<u>\$1,097,323</u>	<u>\$1,097,323</u>	<u>\$1,128,909</u>	<u>(\$31,586)</u>



# CHARTER TOWNSHIP OF MADISON

## Downtown Development Authority

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$838,753	\$838,753	\$898,682	\$59,929
Interest	16,000	16,000	43,616	27,616
Total Revenues	854,753	854,753	942,298	87,545
<b>Expenditures</b>				
Other Functions:				
Contractual	0	0	20	(20)
Capital Outlay:				
Capital outlay	560,000	560,000	8,036	551,964
Total Expenditures	560,000	560,000	8,056	551,944
Excess of Revenues Over Expenditures	294,753	294,753	934,242	639,489
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(117,937)	(117,937)	(116,438)	1,499
Transfers to other governments	0	0	(1,581,445)	(1,581,445)
Total Other Financing Sources (Uses)	(117,937)	(117,937)	(1,697,883)	(1,579,946)
Excess of Revenues Over Expenditures and Other Uses	176,816	176,816	(763,641)	(940,457)
Fund Balance - Beginning of Year	763,641	763,641	763,641	0
Fund Balance - End of Year	\$940,457	\$940,457	\$0	(\$940,457)

# CHARTER TOWNSHIP OF MADISON

## Building Department

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Building permit fees	\$23,000	\$23,000	\$18,908	(\$4,092)
Electrical permit fees	12,000	12,000	11,031	(969)
Mechanical permit fees	9,000	9,000	9,440	440
Plumbing permit fees	6,000	6,000	6,633	633
Plan review fees	1,600	1,600	980	(620)
Interest	800	800	921	121
Total Revenues	52,400	52,400	47,913	(4,487)
<b>Expenditures</b>				
Building Inspector:				
Fees	15,500	15,500	15,781	(281)
Mileage	1,300	1,300	1,287	13
Supplies	50	50	0	50
Education	600	600	400	200
	17,450	17,450	17,468	(18)
Electrical inspector:				
Fees	10,500	10,500	8,275	2,225
Mileage	600	600	359	241
Supplies	50	50	0	50
Education	600	600	0	600
	11,750	11,750	8,634	3,116
Mechanical inspector:				
Fees	7,500	7,500	6,115	1,385
Mileage	400	400	253	147
Supplies	50	50	0	50
Education	600	600	555	45
	8,550	8,550	6,923	1,627
Plumbing inspector:				
Fees	4,500	4,500	4,186	314
Mileage	400	400	250	150
Supplies	50	50	0	50
Education	600	600	464	136
	5,550	5,550	4,900	650
Other:				
Salaries	7,000	7,000	7,000	0
Benefits	400	400	536	(136)
Dues and subscriptions	670	670	856	(186)
Auditing fees	1,000	1,000	1,000	0
Miscellaneous	30	30	862	(832)
	9,100	9,100	10,254	(1,154)
Total Expenditures	52,400	52,400	48,179	4,221
Excess (Deficiency) of Revenues Over Expenditures	0	0	(266)	(266)
Fund Balance - Beginning of Year	35,509	35,509	35,509	0
Fund Balance - End of Year	\$35,509	\$35,509	\$35,243	(\$266)

# CHARTER TOWNSHIP OF MADISON

## Fire Building and Apparatus Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$174,350	\$174,350	\$172,304	(\$2,046)
Income in lieu of taxes	14,500	14,500	14,327	(173)
Industrial facilities tax	3,555	3,555	3,397	(158)
Interest	5,000	5,000	4,015	(985)
Other	0	0	50	50
Total Revenues	197,405	197,405	194,093	(3,312)
<b>Expenditures</b>				
Other Functions:				
Capital Outlay	361,180	361,180	264,910	96,270
Total Expenditures	361,180	361,180	264,910	96,270
Excess (Deficiency) of Revenues over Expenditures	(163,775)	(163,775)	(70,817)	92,958
Fund Balance - Beginning of Year	245,928	245,928	245,928	0
Fund Balance - End of Year	<u>\$82,153</u>	<u>\$82,153</u>	<u>\$175,111</u>	<u>\$92,958</u>

# CHARTER TOWNSHIP OF MADISON

## Stone Cove Point Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Assessments	\$1,900	\$1,900	\$2,001	\$101
Assessment interest	2,252	2,252	1,970	(282)
Interest	250	250	208	(42)
Total Revenues	4,402	4,402	4,179	(223)
<b>Expenditures</b>				
Debt Service:				
Principal	3,437	3,437	3,181	256
Interest	2,416	2,416	2,449	(33)
Total Expenditures	5,853	5,853	5,630	223
Excess (Deficiency) of Revenues Over Expenditures	(1,451)	(1,451)	(1,451)	0
Fund Balance - Beginning of Year	9,424	9,424	9,424	0
Fund Balance - End of Year	<u>\$7,973</u>	<u>\$7,973</u>	<u>\$7,973</u>	<u>\$0</u>

# CHARTER TOWNSHIP OF MADISON

## Road Construction Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Property taxes	\$193,840	\$193,840	\$206,770	\$12,930
Income in lieu of taxes	18,192	18,192	17,192	(1,000)
Industrial facilities taxes	4,393	4,393	4,076	(317)
Permits and fees	3,000	3,000	4,560	1,560
Interest	2,000	2,000	3,010	1,010
Total Revenues	221,425	221,425	235,608	14,183
<b>Expenditures</b>				
Capital outlay:				
Highways and streets	160,000	160,000	131,183	28,817
Total Expenditures	160,000	160,000	131,183	28,817
Excess (Deficiency) of Revenues Over Expenditures	61,425	61,425	104,425	43,000
Fund Balance (Deficit) - Beginning of Year	0	0	(85,732)	(85,732)
Fund Balance (Deficit) - End of Year	\$61,425	\$61,425	\$18,693	(\$42,732)

# CHARTER TOWNSHIP OF MADISON

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2007

#### CURRENT TAX COLLECTION FUND

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Assets</b>				
Cash in bank	\$609,691	\$3,135,739	\$3,180,845	\$564,585
Taxes receivable	2,155,045	4,182,893	3,135,739	3,202,199
Total Assets	<u>\$2,764,736</u>	<u>\$7,318,632</u>	<u>\$6,316,584</u>	<u>\$3,766,784</u>
<b>Liabilities</b>				
Due to taxing units	<u>\$2,764,736</u>	<u>\$4,182,893</u>	<u>\$3,180,845</u>	<u>\$3,766,784</u>
Total Liabilities	<u>\$2,764,736</u>	<u>\$4,182,893</u>	<u>\$3,180,845</u>	<u>\$3,766,784</u>

#### COUNTRY SIDE ESCROW BOND

<b>Assets</b>				
Cash in bank	<u>\$31,090</u>	<u>\$785</u>	<u>\$0</u>	<u>\$31,875</u>
Total Assets	<u>\$31,090</u>	<u>\$785</u>	<u>\$0</u>	<u>\$31,875</u>
<b>Liabilities</b>				
Performance bond payable	<u>\$31,090</u>	<u>\$785</u>	<u>\$0</u>	<u>\$31,875</u>
Total Liabilities	<u>\$31,090</u>	<u>\$785</u>	<u>\$0</u>	<u>\$31,875</u>

#### TOTAL AGENCY FUNDS

<b>Assets</b>				
Cash in bank	\$640,781	\$3,136,524	\$3,180,845	\$596,460
Taxes receivable	2,155,045	4,182,893	3,135,739	3,202,199
Total Assets	<u>\$2,795,826</u>	<u>\$7,319,417</u>	<u>\$6,316,584</u>	<u>\$3,798,659</u>
<b>Liabilities</b>				
Performance bond payable	\$31,090	\$785	\$0	\$31,875
Due to taxing units	2,764,736	4,182,893	3,180,845	3,766,784
Total Liabilities	<u>\$2,795,826</u>	<u>\$4,183,678</u>	<u>\$3,180,845</u>	<u>\$3,798,659</u>



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Board Members:

In planning and performing our audit of the financial statements of the Charter Township of Madison as of and for the year ended December 31, 2007, was made in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison's internal control.

A new auditing standard, SAS No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" is effective for audits after December 15, 2006. Auditors are now required to inform management and those charged with governance about significant deficiencies and material weaknesses that come to our attention.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

We believe that the following deficiencies constitute material weaknesses.

Annual Financial Statements

As is common with smaller and medium sized entities, the Township has relied on its independent external auditors to assist in the preparation of its annual government-wide financial statements and footnotes. The Township has decided it is more cost effective to outsource the preparation of its financial statements to the auditors. The result is that the Township does not have controls in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present financial statement disclosures. The Township does carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

#### Method of Accounting

The Township maintains its general ledger and issues its monthly financial statements using a cash basis method of accounting, which is not in compliance with generally accepted accounting principles, which requires that the modified accrual basis be used. The use of the cash basis method of accounting results in a more than remote likelihood that misstatements will occur in the financial statements, because accounts receivable ( primarily ambulance revenues and utility billings ) and accounts payable are not being recorded.

The Township Board understands the need for converting to the modified accrual basis of accounting and has been working towards that goal.

#### Audit Adjustments

During the course of the audit, several adjustments were made to the Township's financial statements which had a material effect on the Township's financial reporting. The Township is responsible for the reconciliation of all general ledger accounts ( accounts receivable, utility billings receivable, special assessments receivable, accounts payable, payroll tax withholdings payable etc, ). However, the Township has not been reconciling these items and, therefore, misstatements occur in the financial statements.

#### Water and Sewer Billings

We noted that the internal controls for the billing, collection, and recording process of Water and Sewer Department revenues are very weak because the entire process is mainly controlled by one person. The result is that the risk of material misstatement, that may not be detected by management is very high.

We recommend that the Township insert a second person into the process or provide other controls.

#### Other Items Noted During the Audit

##### Budgets

State of Michigan Public Act 621 of 1978 requires budget amendments before any expenditures exceed the budget. However, during the 2007 fiscal year general fund expenditures of \$1,128,909 exceeded appropriations of \$1,097,323 which resulted in expenditures in excess of appropriations of \$31,586.

We recommend that the Township Board approve budget amendments before expenditures exceed appropriations.

##### Township Charge Accounts

The Township has several charge accounts with local merchants.

We recommend that a list of these be prepared and submitted to the Township Board for approval and that no other charge accounts be opened without prior Board approval.

##### Accounting Policies and Procedures Manual

Because of the growing complexity of the Township's finances and to assist in improving internal control, we recommend the development of an accounting policies and procedures manual. This manual would define procedures and documentation required for various financial transactions such as:

- ▶ Cash receipts
- ▶ Cash disbursements
- ▶ Ambulance service revenues
- ▶ Special assessments
- ▶ Bank account reconciliations
- ▶ Payroll
- ▶ Water and Sewer billings



Deposits and Investments

Interest rate risk - The Township's investment policy does not limit investment maturities as a means of managing its exposure to the fair value losses arising from increasing interest rates.

Concentration of credit risk - The Township's investment policy refers to diversification as a method of avoiding over concentration in securities from a specific issuer or business sector. However, the Township does not have limits on the amount the Township may deposit with any one issuer or backer.

This communication is intended solely for the information and use of the Township Board, management, others within the organization, and the applicable departments of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

It has been a pleasure to serve you and we appreciate the cooperation we received during the audit. We are available to meet with you at any time to answer questions concerning this letter or the 2007 audit report.

Very truly yours,

*Coolidge Hall Wadsworth & Carlton, PLLC*

April 1, 2008